

SFC Review of Coherent Provision and Sustainability in Further and Higher Education Response by Scottish Enterprise

SFC has been asked by Ministers to review how best to secure coherent education provision as well as research by the FE/HE sectors post-Covid. This is an important Review that sets out to:

- a) Consider how best to achieve coherent and sustainable provision of teaching, research and other activities during the Covid-19 crisis, EU exit transition and beyond, while maintaining and enhancing quality
- b) Ensure the FE and HE sectors can address the outcomes we need to achieve in Scotland
- c) Propose necessary changes to SFC's funding, operations, and accountability frameworks
- d) Provide advice to Ministers on relevant changes to policy, funding and accountability frameworks for tertiary education and research.

Scottish Enterprise is pleased to respond to this first phase of the consultation process and looks forward to shaping future options for change. Our views are informed by our long-standing engagement and collaboration with the FE and HE sectors. We have also framed our response in the context of the recent recommendations from the Advisory Group on Economic Recovery, the Enterprise and Skills Strategic Board labour market sub-group, the Muscatelli review of innovation in Scotland and the consultation on the UK R&D Roadmap.

Central to all of this are the profound impacts we are now seeing as a result of the Covid-19 pandemic and economic crisis. Among the impacts – some temporary, others that will become permanent – that the sectors are grappling with are:

- the substantial financial losses from international fees and other sources of income, with implications for existing business models
- a major shift towards digital and online provision, with implications for access to education and the global competitive landscape
- the contributions that universities, colleges and other institutions can make to economic recovery within the context of rising unemployment and accelerated structural economic shifts.

Covid-19 is adding additional layers of uncertainty on top of a wide range of existing drivers of change. It is vital that the Review reflects these broader underlying shifts including: climate change, the adoption of digital, data and automation technologies, EU exit, immigration and the global competition for talent, and evolving patterns of globalisation.

1. What do you think works well in the current further and higher education arrangements that we should keep in order to secure Scotland's inclusive social and economic recovery from the current pandemic? How can we best preserve and strengthen those features of education, research and innovation in Scotland that we most prize, in a very challenging funding environment?

The **diversity, breadth, depth and quality** of Scotland's HE/FE sectors are key strengths. But in addition to delivering world-class education and research, which helps to build a global reputation and attract global academic talent and resources, **institutions play essential roles in supporting employability and inclusive growth**. The provision and connections between Colleges and Universities with learners and business within their local communities are vital in ensuring a fair and inclusive recovery.

The **research and knowledge exchange interface with industry** works well. SFC acts as a central 'hub' for agencies and businesses of all sizes to engage across the FE and HE sectors. It is vital for businesses of all sizes to have streamlined access to research outputs to strengthen Scotland's innovation ecosystem.

Alumni networks are a hugely underused asset. It is estimated that there are 1.5 million alumni of Scottish institutions globally, with powerful connections. How can we harness their value in, for example, advising businesses on growth opportunities and acting as credible advocates of Scotland's prospectuses? The Muscatelli Report suggested how HEIs might encourage some of their most influential alumni to join a network of people able to help connect Scotland with potential inward investors. We note that a short-life working group has been established to create an Alumni Action Plan and this represents a stepping-stone for further development.

2. What do you think colleges, universities and specialist institutions should stop doing, or do differently, in order to contribute effectively to an inclusive social and economic recovery? (*You may wish to comment on teaching and skills development, sectoral and employer needs and employability, research, innovation and knowledge exchange, widening access and equalities issues*).

Significant potential exists for the HE and FE sectors to **focus and realign their resources to support recovery**. This could include, for example:

- aligning research with opportunities that will drive Scotland's future economy (including addressing global social challenges around health and wellbeing, climate change and low carbon technologies, clean water, sustainable food systems)
- ensuring a learning focus on skills for the future that inspire young people, supported by a robust and credible assessment of current and future labour market opportunities
- matching a broader range of learning provision with current and future employer demand in a post-Covid context. This could include short courses/modules affordable to all and flexible modes of learning delivered over longer time periods (for example, allowing learners to study part-time while also working).

Universities need to find an appropriate balance between developing commercial assets in the short-term and funding the research that will provide a commercial pipeline for the next 25-50 years. Too often, **entrepreneurial skillset development** is a supplement rather than a stimulus to company creation. A stronger focus on entrepreneurship at an earlier stage in tertiary education

would enable the process of start-up or spin out to be structured appropriately from the outset, counterbalancing the dominant technology-led approach.

Our national innovation system should give greater attention to **'know-how' and knowledge diffusion**. Transferring skills and research knowledge is vital for productivity growth, competitiveness and process improvement. In addition, alternative routes to commercialisation could be given greater consideration in Scotland. For example, the Innovation-to-Commercialisation of University Research (ICURE) model provides funding and training for academic researchers to determine whether there is a market for products or services that use their research, science or technology, and to validate their commercially-promising ideas in the marketplace.

The Muscatelli Report highlighted the scope for **greater collaboration and coordination in bidding for UK funding**, avoiding overlap and duplication. While this already happens informally (and SE is often involved in these discussions), HEIs need stronger incentives for this to happen consistently. Greater collaboration in a tighter funding environment is vital.

3. How can colleges, universities and specialist institutions best support Scotland's international connectedness and competitiveness in the post-pandemic, post-EU membership environment?

By **adopting a mission-led approach to addressing global societal needs** – for example, good health and wellbeing, climate action, sustainable cities – universities can strengthen Scotland's position in international markets. Scotland's world-leading research can play important roles in forging new academic and business partnerships, attracting inward investment and building Scotland's international profile. SFC in particular can play a strong role in providing a clear set of ambitions around missions for the HE/FE sector in Scotland that can generate interest and excitement amongst students, employees and university stakeholders.

A 'Team Scotland' approach to internationalisation is more important than ever post-Covid/Brexit and the FE/HE sectors play vital roles including:

- acting as engines of innovation and graduate talent – key selling points of 'brand Scotland'
- attracting international students, who help to strengthen the international outlook among businesses and communities
- attracting high-skill talent (under the UK's new immigration policy) and boosting population growth
- using overseas campuses and networks to give Scottish businesses a foothold in international markets (where nimble in-market presence will be important in a volatile global context)
- producing skilled graduates, ready for industry, where access to their expertise is instrumental in many of Scotland's inward investment successes
- using R&D relationships with global companies to help lever overseas investment into Scotland.

As a small, open, connected country it remains essential for Scotland's economy to develop and grow through international growth, despite future global uncertainties and volatility. But to compete effectively HE/FE institutions need to **collaborate to create critical mass in key**

specialisms. SFC should explore ways to scale-up research, teaching and commercialisation expertise in areas aligned with Scotland’s economic strengths and assets within a global context. A strategy based on these complementarities will play to our distinctive strengths and strengthen Scotland’s international competitiveness.

We can learn from successful overseas models to support spin-out/start-up creation. Other world class universities have **created significant investment arms to exploit their intellectual assets.** It has helped to turn them into start-up powerhouses, attracting and promoting entrepreneurial talent, diversifying income streams and securing long term financial sustainability. In contrast, previous Scottish approaches focused on bringing in external partners (angels) have seen value being extracted rather than creating institution-focused investment arms that reinvest returns.

4. What opportunities and threats does the post-pandemic environment hold for colleges, universities and specialist institutions? For institutional leaders, how are you planning to address these challenges and opportunities?

We feel that this question is more directed towards institutions themselves, with the key high-level opportunities and threats already identified in the background materials for the Review.

5. What forms of collaboration within the tertiary education eco-system would best enable a coherent and effective response to these challenges and opportunities?

Our response to Q3 summarises some important opportunities for collaboration: –

- Adopting a mission-driven approach to research funding that addresses global societal needs
- Building greater critical mass in research specialisms that are demand-driven, aligned to Scotland’s economic strengths/assets, and of sufficient scale to be competitive internationally
- Strengthening the ‘Team Scotland’ approach to internationalisation that harnesses the value of overseas campuses, networks, partnerships, brands and alumni
- Collaborating to understand and adopt best practice models to invest in spin-outs and start-ups.

Funding is an incredibly important tool to support effective collaboration. As part of the Review we suggest close attention be paid to how funding is directed in ways that achieve greater collaboration, and minimising inefficient competition across the HE/FE sectors.

6. How can SFC, alongside government and other enterprise, skills and education-focused agencies, best support colleges, universities and specialist institutions to make their full contribution to Scotland’s inclusive, green and education-led recovery?

HE and FE institutions are essential elements of Scotland’s economic development and skills system, alongside the Scottish Government and its agencies. As such, **SFC should understand how it can incentivise institutions to directly support a more resilient, inclusive and green recovery** in the short-term – as well as reorient activities that align with a values-led approach that plays to Scotland’s strengths and assets over the longer-term. We can rebuild and recover faster by

directing innovation towards a resilient, wellbeing economy, with a genuine commitment to tackle structural economic/societal weaknesses.

Universities and Colleges play important roles as local and regional anchor institutions, supporting community wealth building. They support technological innovation and help create a skilled workforce with an international outlook. There are opportunities to take a stronger role in supporting inclusive growth in local communities, offering education and entrepreneurial opportunities to all. Good examples of their contribution to strengthening place-based resilience include the Advanced Manufacturing District in Renfrewshire and the Michelin Scotland Innovation Parc in Dundee. However, while all regions now have or are developing regional economic strategies, university engagement in Regional Economic Partnerships is mixed. Sharing lessons from successful partnerships elsewhere (for example, between UHI and HIE) would be beneficial.

SFC is the only body that can **develop the potential role for Colleges within the innovation landscape.** Changing current funding and outcome arrangements would recognise their latent contribution, regional connectedness and ability to transfer knowledge to SMEs (for example, via apprenticeships and placements).